

**The Debt Buy-Down Act of 2010 (H.R. 5536/S. 3496)**  
**Section by Section**

***Sec. 1. Short Title.***

- The short title of the bill is “The Debt Buy-Down Act of 2010.”

***Sec. 2. Designation of Amounts for Reductions of Public Debt.***

*Sec. 2(a)*

- This section amends the Internal Revenue Code of 1986 (subchapter A of chapter 61) by adding a new section entitled “Sec. 6097. Designation.”
- This new section provides for every individual with adjusted income tax liability to designate up to 10% of that liability to reducing the public debt. The new section directs the designation to be made on the first page of the return or the page bearing the taxpayer’s signature and provides a definition of adjusted income tax liability.

*Sec. 2(b)&(c)*

- These sections make clerical changes to the table for the subchapter and include an effective date making the amendments to the section applicable to taxable years ending after enactment.

***Sec. 3. Public Debt Reduction Trust Fund.***

*Sec. 3(a)*

- This section amends the Internal Revenue Code of 1986 (subchapter A of chapter 98) by adding a new section entitled “Sec. 9511. Public Debt Reduction Trust Fund.”
- This new sections creates a trust fund in the Treasury and appropriates to it the amount of adjusted income tax liability designated to public debt reduction by taxpayers.
- The new section directs the Secretary of the Treasury to use the Trust Fund to pay at maturity, or redeem or buy before maturity, any obligation included in the public debt (which is then canceled, retired, and not to be reissued).

*Sec. 3(b)& (c)*

- These sections make clerical changes to the table for the subchapter and include an effective date making the section applicable to amounts received after enactment.

***Sec. 4. Taxpayer-Generated Sequestration of Federal Spending to Reduce the Public Debt.***

*Sec. 4(a)*

- This section amends Balanced Budget and Emergency Deficit Control Act of 1985 Section 253 by adding a new section entitled “Sec. 253A. Sequestration to Reduce the Public Debt.”
- This new section requires the sequestration of the amount of equal to the adjusted income tax liability designated to public debt reduction by taxpayers (not withstanding Sec. 255 and 256 and on the same day and after any sequestrations required by the Sec. 251, 252, 253 or the Statutory-Pay-As-You-Go Act of 2010) modified by changes made by Congress to net discretionary spending and/or net deficit change related to the fiscal year subject to the sequestration.
- In essence, Congress has an opportunity prior to the end of the session to enact spending cuts equal to the amount designated by taxpayers to reduce the national debt for the tax year ending a year prior to the start of the session.
- If Congress fails to provide spending reductions equal to the amount designated by taxpayers for debt reduction, this section requires a sequestration via an across-the-board cut of federal accounts 15 days after Congress ends a session with each account being reduced by a uniform percent necessary to reach the level of spending reductions equivalent to the designated amount.
- According to this section, all reductions are to be done in a manner making them permanent.

- This new section provides for several exemptions should an across-the-board cut be necessary, including benefits under Title II of the Social Security Act, benefits for members or former members of the uniformed services, and payments for net interest.

*Sec. 4(b)*

- This section amends Sec. 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 to require being included in the sequestration preview and final reports aggregated amounts designated by taxpayers to reduce the debt and put into the Trust Fund and amounts sequestered to reduce the public debt.

*Sec. 4(c)&(d)*

- These sections make conforming amendments to the Balanced Budget and Emergency Deficit Control Act of 1985. Notwithstanding Sec. 275(b), this section also establishes an expiration date for the amendments made by this section, with amendments expiring the first fiscal year during which there is no public debt.